

**MINUTES
of the
SIXTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**November 12-13, 2015
Santa Fe**

The sixth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Senator Richard C. Martinez, acting chair, on November 12, 2015 at 9:18 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Sen. Benny Shendo, Jr., Chair (11/13)
Sen. Ron Griggs
Rep. Rick Little
Sen. Richard C. Martinez
Sen. Michael Padilla
Sen. John Pinto
Rep. Debbie A. Rodella
Rep. Patricia Roybal Caballero
Rep. Bob Wooley
Rep. John L. Zimmerman

Advisory Members

Rep. Eliseo Lee Alcon (11/13)
Sen. Craig W. Brandt
Sen. Lee S. Cotter
Rep. Bealquin Bill Gomez
Rep. Jimmie C. Hall
Rep. Patricia A. Lundstrom
Sen. Mark Moores (11/13)
Rep. Dennis J. Roch
Rep. Nick L. Salazar (11/13)
Sen. William E. Sharer

Guest Legislators

Sen. Howie C. Morales (11/12)
Rep. Cathrynn N. Brown (11/13)

Absent

Rep. Dianne Miller Hamilton, Vice Chair
Sen. Jacob R. Candelaria
Rep. D. Wonda Johnson
Sen. Pat Woods

Rep. George Dodge, Jr.
Rep. Nora Espinoza
Sen. Carroll H. Leavell
Sen. Mary Kay Papen

(Attendance dates are noted for members not present for the entire meeting.)

Minutes Approval

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

Staff

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)

Celia Ludi, Staff Attorney, LCS

Erin Bond, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts are in the meeting file.

Thursday, November 12**Call to Order — Introductions**

Senator Martinez welcomed members of the committee, staff and guests to the meeting. Committee members introduced themselves.

New Mexico's Creative Economy

Veronica Gonzales, secretary, Cultural Affairs Department (CAD), informed the committee that the CAD commissioned the Bureau of Business and Economic Research (BBER) at the University of New Mexico (UNM) to study the impact of creative industries on the state's economy. She said that the recommendations in the BBER's report provide a critical perspective on how to stimulate economic growth and to support education in New Mexico. Secretary Gonzales introduced Jeffrey Mitchell, director, BBER.

Mr. Mitchell reviewed the executive summary of the BBER's report, titled "Building on the Past, Facing the Future: Renewing the Creative Economy of New Mexico". He said that the recession significantly changed the state's economy and resulted in the permanent loss of some jobs and highlighted the importance of certain employment sectors. He reported that there are more jobs in New Mexico in arts- and culture-related industries than there are in the construction and manufacturing industries combined, and often, creative industry jobs are found in geographic areas where other employment options, such as construction and manufacturing, are not available. He emphasized that the communities that support arts and culture are the same communities that are experiencing economic growth.

Mr. Mitchell opined that New Mexico has tremendous arts and culture assets, but he noted that the sector needs support to encourage creative industries job growth. Mr. Mitchell suggested that public-private partnerships can be essential to creating jobs, and those partnerships can produce a significant return on the parties' investments. He added that school dropout rates

could be reduced if arts- and culture-related classes were offered. Finally, he said that support of the arts and culture economy is a long-term investment, unlike other economic incentives and investments that the state offers to encourage employment and economic growth.

Secretary Gonzales noted that the BBER's full report can be found on the CAD's website.

Committee members asked about the status of preservation efforts at Fort Bayard, about the development of a new library in La Mesa and about the Gutierrez-Hubbell House in Albuquerque. There was discussion about the question of authenticity of Native American arts and crafts such as jewelry and pottery. Secretary Gonzales assured the committee that CAD works with the Attorney General's Office to enforce the federal Indian Arts and Crafts Act and Native American Graves Protection and Repatriation Act and the State's Indian Arts and Crafts Sales Act.

Community Collaboration — Creative Economic Development and Tourism

Vince Kadlubek, co-founder of Meow Wolf, explained that Meow Wolf is a for-profit arts collective that grew from the need for young artists in Santa Fe to have a venue for creative expression. Meow Wolf's founders were not primarily concerned with the economy or jobs, but they eventually realized that there is a market for the things that the young artists in the collective were making. The founders participated in a business accelerator program called Creative Startups, and their venture has since grown to employ more than 100 artists working on a 33,000-square-foot arts complex. The arts complex — formerly a roller rink that has been purchased with the assistance of George R.R. Martin — includes exhibition space, education and program space and production space where members can use machinery and equipment to make things. Meow Wolf employs 135 people, 85 of whom are full-time employees, and more than 100 employees are native New Mexicans. One of Meow Wolf's first art productions drew 25,000 visitors in three months, which Mr. Kadlubek noted is significantly higher attendance than many art venues in Santa Fe. A for-profit subsidiary, MWLabs, has applied for three patents. Another for-profit subsidiary, Scratch, produces a specialized sculpting medium from a material that it developed and patented. Meow Wolf has also begun operating a nonprofit arts education center for youths aged seven to 13. Mr. Kadlubek presented a slide show that highlighted many of Meow Wolf's projects.

A committee member asked Mr. Kadlubek for suggestions about how to attract millennials to New Mexico. Mr. Kadlubek said that millennials are now business owners, homeowners, tourists and families in the state. He observed that New Mexico should market itself as a good place to live as well as a good tourist destination. He emphasized the state's easy access to nature, the availability of space, the state's moderate weather and its commitment to a slower-paced lifestyle as attractive to millennials. He believes the state should emphasize that it offers cultural experiences that cannot be experienced digitally. He added that he is also on the City of Santa Fe's Nighttime Economy Task Force, which supports the revision of the state's liquor control laws to allow for the sale of alcohol at performance venues.

A committee member asked about Meow Wolf's interactions with the Economic Development Department (EDD) and Mr. Kadlubek said that the collective has experience with the state's Local Economic Development Act and the EDD's Job Training Incentive Program. He added that the state's film tax credit is also a benefit to the collective for certain projects.

Building Creative Economies

Tom Ageson, co-founder, Creative Startups, introduced Alice Loy, also a co-founder of the organization, John Liebman and Sidney Alfonso, founder, Etkie.com. Mr. Ageson and Ms. Loy discussed Creative Startups, which offers a business accelerator program for creative entrepreneurs. The program includes intensive business training and mentoring to assist creative business people, including the founders of Meow Wolf. The organization solicits applications for its program each year and receives applications from across the United States and the world. The 2015 applicants included entrepreneurs from 13 states, including New Mexico, and from five other countries. Ms. Loy said that they developed a business boot camp program to encourage additional New Mexicans to apply for the accelerator program.

Ms. Alfonso, a graduate of Creative Startups, said that she developed her jewelry company, based in Embudo, New Mexico, with the help of the accelerator program. She described how she uses technology to produce jewelry designs: she designs a piece of jewelry and 3-D prints it. The work is then cast in gold or silver. Her jewelry is carried in high-end shops and is available nationally and internationally through her website.

Mr. Ageson said that an important part of New Mexico's economic development strategy should be to support the state's creative economy, and he suggested the creation of an "Office of Creative Economy" within the EDD or the CAD to help New Mexico compete with the many other states that have similar programs.

A committee member said that a significant obstacle to economic development in the state is the lack of broadband infrastructure and high-speed internet throughout the state. Other members agreed and recalled presentations to the Jobs Council and the Science, Technology and Telecommunications Committee on the need for broadband improvements. Another member noted that it is very expensive to bring broadband infrastructure to rural areas of the state, and private companies are hesitant to invest in the infrastructure without some assurance that they will be able to realize a profit. Another member noted that internet access is available in New Mexico State University Cooperative Extension Service offices, located in every county, and in the county offices participating in UNM's telemedicine program. The member suggested that expanding the state's broadband network could build on those existing services.

Referring to creation of art and jewelry using technology such as 3-D printers, the committee and presenters discussed the issue of authenticity in the creation of hand-made jewelry.

New Mexico-Grown Fresh Fruits and Vegetables for School Meals — Farmers Market Double Up Food Bucks Program

Denise Miller, executive director of the New Mexico Farmers' Marketing Association, explained the New Mexico Department of Agriculture's "Double Up Food Bucks" program. She requested that the legislature reappropriate \$400,000 for the program in fiscal year 2017. Ms. Miller also informed the committee about the various award amounts made by the Public Education Department (PED) to public school food authorities in 2015-2016 for New Mexico-grown fresh fruits and vegetables for school meals.

Pam Roy, executive director of Farm to Table New Mexico, spoke to the committee about improving farming and health outcomes in the state. She provided presentation materials, titled "The Power of Public Procurement: An Action Plan for Healthier Farms and People in New Mexico". She said the materials provide a perspective on the meals — almost 60 million of them — that are served in public institutions throughout the state. She said that she would seek another appropriation of \$1.44 million in the coming session to provide New Mexico-grown fresh fruits and vegetables for school meals.

Sandra Kemp, policy chair, New Mexico School Nutrition Association, and executive director, Food and Nutrition Services, Albuquerque Public Schools (APS), informed the committee that APS uses small and large local farms to provide fresh fruit and vegetables in all APS schools, including summer school and summer recreation programs offered by the City of Albuquerque. She noted that the PED allows schools to work directly with farmers markets in their areas to purchase fresh fruits and vegetables for the schools. She said that her program is only authorized to feed children up to 18 years of age.

In response to a member's question, Ms. Roy said that La Montanita Co-Op has been helpful in transporting food to communities.

Another member asked about the presenters' experience with the farmers market in Las Cruces, and the presenters explained that the very successful market serves many customers who use financial assistance from the state for purchasing fresh foods.

Industrial Hemp

Jerry Fuentes, advocate and lobbyist for the New Mexico Industrial Hemp Coalition, recalled that Senate Bill 94, authorizing the New Mexico Department of Agriculture to grow industrial hemp for research and development purposes, passed the 2015 legislature but was vetoed by the governor.

Dr. Stephen Gomez, chair of the Department of Sustainable Trades and Technologies for Santa Fe Community College, described the benefits of hemp as an industrial crop. He said that the estimated retail value of hemp products sold each year is approximately \$620 million. The majority of hemp products are oil-based and cosmetics. He provided information on some of the benefits of growing hemp, a plant that requires fewer pesticides and herbicides to grow. He

added that the crop is also ideal for New Mexico's growing environment because it is very drought tolerant. Finally, he noted that hemp seeds are high in protein and the plant can also be used to make plastics, papers, insulation and textiles.

Representative Gomez said that the state's agriculture community has lost several important crops, including jalapenos, cayenne pepper and alfalfa, to competitor farms in Mexico, and growing new crops, such as hemp, will be necessary to keep the agriculture industry alive in New Mexico. He added that hemp is an especially attractive crop for New Mexico growers because it requires significantly less water than crops such as alfalfa.

In response to a member's question, Dr. Gomez explained that the difference between industrial hemp and marijuana is the amount of tetrahydrocannabinol (THC) in the plants. Mr. Fuentes added that the federal Farm Bill of 2014 defines hemp as a plant that has no more than .03% THC, and the Senate Bill 94 (2015) used the same THC content to define hemp.

New Mexico Angel Investment Credit

Representative Jane E. Powdrell-Culbert summarized House Bill 261 (2015), which proposed to increase the annual amount of angel investment credits that can be issued and eliminated some restrictions on the type and number of investments that qualify for the credit.

Representative Powdrell-Culbert introduced John Chavez, president of New Mexico Angels, who explained angel investing as a high-risk and potentially high-return investment. Angel investors typically do not acquire more than 25% of a company in which they invest. New Mexico Angels coaches and mentors entrepreneurs, in addition to providing financial support for their companies. The return on investments through New Mexico Angels varies and depends on individual investment agreements.

In response to a member's question, Mr. Chavez said that New Mexico Angels does not object to the existing statutory provisions in Section 7-2-18.17 NMSA 1978. In response to another question, Mr. Chavez clarified that while not all New Mexico angels are New Mexico residents, the tax credits provided in Section 7-2-18.17 NMSA 1978 are only available to New Mexico residents who have a state tax liability.

Recess

The committee recessed at 3:48 p.m.

Friday, November 13

Reconvene — Introductions

At 9:05 a.m., Senator Shendo reconvened the committee and welcomed committee members, staff and guests to the meeting.

Carlsbad Nuclear Task Force

John Heaton, chair, Carlsbad Nuclear Task Force, and vice chair, Eddy-Lea Energy Alliance (ELEA), explained a proposal to develop a centralized interim storage (CIS) facility to house used nuclear fuel. The CIS would be located approximately halfway between Carlsbad and Hobbs in Eddy and Lea counties. The ELEA partnered with Holtec International to develop the proposal. An application in connection with the CIS will be submitted to the federal Nuclear Regulatory Commission on June 1, 2016, and a license would not be issued until approximately January 30, 2019. Mr. Heaton stressed that the CIS site in the state's nuclear corridor is a remote, sparsely populated location away from existing communities. By contrast, another site proposed by the ELEA's competitor is in Texas, but it is just three miles from Eunice, New Mexico. The ELEA has received letters of support for the project from the governor, and it will be proposing legislation in the upcoming session to address state law issues that could affect the application for the CIS.

In response to questions from committee members, Mr. Heaton said that the storage facility would use canisters with welds that have been tested using x-rays, and the canisters will be certified for safety before and after they are sealed. He provided information about how the facility will be developed and said that Holtec International will purchase cement for the project at the best price available, so he does not know whether the cement will be domestically sourced.

A committee member asked why the CIS could not be constructed at one of the existing 13 decommissioned sites. Mr. Heaton said that the selection process was very political and that there were no proposals to develop a CIS at an existing decommissioned site. He noted that most of the other sites are in densely populated areas or are near lakes and rivers.

A committee member asked how spent nuclear fuel would be transported to the CIS. Mr. Heaton explained that it is transported by rail because the canisters are too heavy to be transported on highways. Some fuel could also be transported by ocean barges before rail transport.

A committee member asked about short- and long-term water needs for the proposed CIS. Mr. Heaton said that water would be necessary during construction. After that, water would be used for personal use only.

In response to a question about reuse of spent fuel, Mr. Heaton said that France is reprocessing fuel and that it is possible that reprocessing will be allowed in the United States by the time the CIS is built.

Mr. Heaton asked if the committee would write a letter to the state's congressional delegation expressing support for the proposed CIS. He said that the state's U.S. representatives support the proposal and the state's U.S. senators are not yet committed on the issue. The committee voted to send a letter of support to the congressional delegation.

New Mexico Aviation Today

David Querio, general manager of AerSale, said that his company is an international after-market aircraft, engine, parts and service company, with an aircraft engine and operations center facility in Roswell and a new facility in Rio Rancho. The operations center includes 200,000 square feet of hangar space, a 16,000-square-foot engine facility and enough aircraft storage space to accommodate more than 2,000 aircraft on paved outdoor surfaces. It is the largest commercial hangar in New Mexico, but it is much smaller than similar facilities in other states. New Mexico's climate and open space is conducive to long-term aircraft storage. The company employs 165 highly skilled and highly paid workers in Roswell and approximately 40 workers in Rio Rancho.

AerSale's biggest challenge to its plans for expansion is inadequate short- and long-term housing and a lack of skilled workers, quality education and cultural amenities. Recruiting workers from other places is difficult because the closest major airport to Roswell is about three hours away. AerSale's workforce is highly skilled and specialized, with multiple certifications required for most positions. AerSale has tried to grow its own local workforce with scholarships and work training programs focused on veterans and people seeking a second career. AerSale has provided scholarships to Central New Mexico Community College and Eastern New Mexico University-Roswell for 20 students and has used Jobs Training Incentive Program funds to support specialized work training programs. Last year, AerSale hired 18 graduates from New Mexico institutions. The starting salary for mechanics at AerSale is \$40,000 per year.

In response to a member's question, Mr. Querio said that some military veterans are able to test for their Federal Aviation Administration licenses immediately upon hire, and others need additional training. AerSale is working with U.S. Air Force bases in New Mexico to help veterans transition from military life to civilian life.

Superintendent of Insurance — 2016 Legislation

Alan Seeley, chief property and casualty actuary, Office of Superintendent of Insurance (OSI), said that the OSI plans to introduce revised versions of Senate Bill 663 and Senate Bill 577 from the 2015 session that will incorporate committee amendments added to the bills during the 2015 session. His presentation materials, "Legislation to be Proposed by the Office of Superintendent of Insurance (OSI)", described the substance of those bills, and David P. Barton, general counsel, OSI, confirmed that the OSI was not requesting the committee's endorsement but, rather, wanted to inform the committee of the bills to be introduced.

In response to a member's question, Mr. Seeley clarified that insurance agents are not required by the companies they represent to take continuing education classes, but the OSI does require continuing education for agents to maintain their licenses. He explained that the revised version of Senate Bill 663 to be introduced in 2016 requires continuing education to renew an agent's license, and the purpose of requiring license renewal is to ensure agents' completion of continuing education credits.

Discussion of 2016 Legislation — Committee Endorsement

202 Number (Item Number)	Topic	Sponsor	Notes/Discussion	Endorsed?
202253.2 (10)	Rural Infrastructure Tax Credit	Rep. James R.J. Strickler; co- sponsor Rep. Patricia A. Lundstrom	Amended to delete "in an H class county or" on p. 7, line 17	Yes, as amended
201925.1 (11)	Boll Weevil and Pink Bollworm Monitoring	Rep. Bealquin Bill Gomez	Also endorsed in Water and Natural Resources Committee	Yes
202006.2 (12)	Big Game Depredation Damage Fund	Rep. Bealquin Bill Gomez	Also endorsed in Water and Natural Resources Committee	Yes
202275.2 (13)	Industrial Hemp	Rep. Bealquin Bill Gomez	Also endorsed in Water and Natural Resources Committee	Yes
202339.1 (14)	Workers' Compensation — Injury While Under the Influence	Rep. Dennis J. Roch	The bill was introduced in 2015 as House Bill 238, and was amended in committees. The 2016 proposal is the same version passed by the house.	No
202343.2 (15)	Scenic Byways Appropriation	Rep. Patricia A. Lundstrom		Yes

Public Comment

Rachel Bayless, Workers' Compensation Administration, speaking as a private citizen, said that she supports Representative Roch's bill, as introduced, and specifically not as amended in the Senate Judiciary Committee.

Adjournment

There being no further business before the committee, the sixth meeting of the ERDC for the 2015 interim adjourned at 12:59 p.m.